

Strategic Goal 2
***Ensure a smooth transition for veterans
from active military service to civilian life***

Secretary Priority: Provide meaningful readjustment assistance by improving the quality and timeliness of decision-making for education claims through the use of electronic certification.

Secretary Priority: Meet community standards for origination and servicing of home loan guaranty benefits, and ensure there are no financial losses incurred on foreclosures.

Veterans will be fully reintegrated into their communities with minimum disruption to their lives through transitional health care, readjustment counseling services, employment services, vocational rehabilitation, education assistance, and home loan guaranties.

Three key performance measures enable us to gauge progress toward achieving this strategic goal:

- Montgomery GI Bill (MGIB) usage rate
- Average days to complete original and supplemental education claims
- Foreclosure Avoidance Through Servicing (FATS) ratio

Provide Meaningful Readjustment Assistance

Strategic Goal: Ensure a smooth transition for veterans from active military service to civilian life

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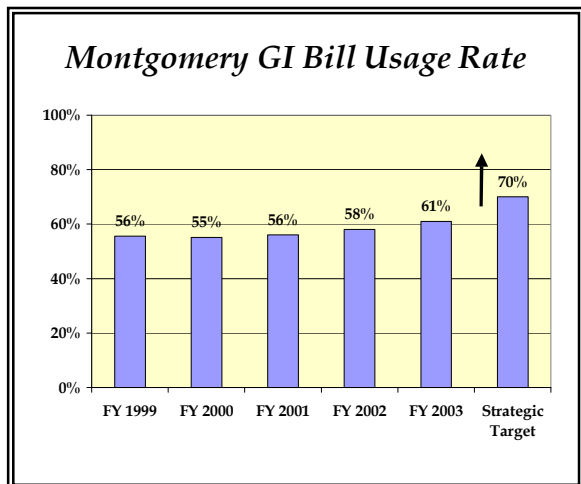
Performance Goals

1. Increase the Montgomery GI Bill (MGIB) usage rate to 61%.
2. Process original and supplemental education claims in 30 and 18 days, respectively.

Discussion of Current Situation

Increase the MGIB Usage Rate

The Montgomery GI Bill (MGIB) is intended to be an incentive that entices this nation's young men and women into military service and a reward for that honorable and faithful service. The extent to which eligible beneficiaries use their earned benefit is but one measure of program success. A greater number of veterans using the MGIB will contribute to a more highly educated and productive national workforce, thus enhancing the nation's competitiveness. Veterans use the benefit to readjust to civilian life and achieve educational and vocational objectives that they might not have attained had they not entered military service. DoD uses the promise of educational benefits under the MGIB as a successful recruiting tool. While MGIB has continued to be a very effective recruiting tool, its value as an earned readjustment benefit has declined over the years.



Several attempts have been made to improve the benefit. For instance, in 1992 Congress enacted legislation to increase the monthly rate of payment each year by the same percent rise in the Consumer Price Index. Training programs approved for benefits in earlier GI Bills (for example, flight training) were added to the vocational and educational programs available under MGIB.

These enhancements occurred without benefit of a full examination of the MGIB program's intent and its success in achieving its stated purposes. The Government Performance and Results Act (GPRA) provided impetus for that full examination in mandating

periodic comprehensive program evaluations. VA's educational assistance programs have received such an examination.

VA contracted for, and received a comprehensive evaluation of the education programs in 2000. The report examined the extent to which the education programs administered by VA have met their statutory intent, the education needs of beneficiaries, and the expectations of stakeholders. It found that by many measures the centerpiece of VA education programs, MGIB, has continued the success established by the GI Bill of Rights. Compared to those who have not taken advantage of MGIB, veterans who further their education under the program have lower unemployment, increased career and education goals, and enjoy higher earnings. In general, the programs show some success in meeting the intended purposes of the legislation while returning \$2 to the economy for every \$1 in taxpayer funding.

However, the evaluation also found that VA education benefits don't cover all education costs or reflect the increased diversity in available education and training programs. In addition, VA isn't effectively publicizing the availability of its education benefits programs. Recently enacted legislation has raised the VA education benefits rates and has started to address the need for VA benefits to be available for a wider variety of education experiences. Education Service has also embarked on an aggressive outreach program to insure that all potential beneficiaries receive timely information about the VA education programs available to them.

The Administration supported legislation enacted during 2001 that provides veterans meaningful readjustment opportunities by increasing basic monthly benefits and providing more flexibility in the manner in which the benefit is paid. With an adequate basic monthly benefit more veterans will complete programs that in the past they were forced to leave for financial reasons. Flexibility in the manner in which the benefit is paid will permit veterans to pursue programs that are not affordable in the monthly benefit payment format now in existence.

Enhancements to the benefit as advocated by many will increase the usage rate. Increasing the usage rate will have workload and claims processing implications. The challenge for VA is to encourage and support increases in the usage rate while improving the claims processing environment.

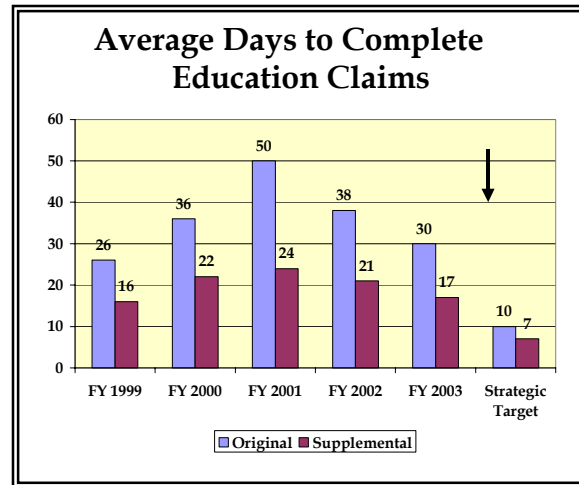
Improve Education Claims Processing

The effectiveness of our education claims processing is measured several ways; chief among them are timeliness (how long it takes to process claims), payment accuracy, and veteran satisfaction. Of these, timeliness, or average days to complete education claims, is a key measure for VA. Claims processing timeliness is directly related to the volume of work received, the resources

available to handle the incoming work, and the efficiency with which that work can be completed.

Cycle time analysis reveals that most claims are held for days awaiting review by a decision-maker. By streamlining work processes and minimizing hold time, dramatic improvements in timeliness are achievable.

Over the past several years, timeliness has deteriorated because available resources did not match the volume of incoming work. In addition, work processes could not be modified to bring that mix of volume and resources into balance. Systems that did not perform at an expected level exacerbated the issue. Future performance improvements have the same dependencies. Workload volume will increase with enhancements to the benefit. That can be mitigated with additional resources and efficient processing systems.



Improved payment accuracy in processing comes from several sources. Systems improvements normally reduce human calculation and some key stroking errors. Training interventions also lead to quality improvements. On the other hand, new hires tend to make more errors in processing until they have gained experience through training and repetition of work actions.

A customer satisfaction rating provides a measure of how beneficiaries rate our service. A customer satisfaction survey instrument was developed several years ago to solicit this feedback. This annual survey allows the scientifically valid measurement of aspects of customer service identified in focus groups with veterans. The survey gauges the satisfaction of veterans and beneficiaries who have received education benefits. Results allow VBA to track and analyze trends and improve performance, as necessary. For example, through the survey beneficiaries expressed a desire to speak directly with VA employees who were knowledgeable in education benefits. That resulted in the creation of a toll-free telephone number that allowed calls to be directed to education subject matter experts.

Means and Strategies

Increase the MGIB Usage Rate

VA's Education Service mails a brochure, "Focus on Your Future with the Montgomery GI Bill," to men and women in the Armed Forces. Similar mailings are planned at specific points throughout each individual's military career. This brochure provides a general description of MGIB education benefits. It also has information to help service members, who might already be eligible for MGIB benefits, make a decision to enter training and use their earned benefits.

VA has developed brochures for specific situations also. For example, VA developed a brochure in 2001 to highlight a new education benefit, reimbursement for licensing and certification tests, enacted by Congress. As veterans learn of this new benefit, they can determine whether it affords them opportunities for advancement in the workplace. Additional targeted brochures, as needed, will advise veterans of other opportunities.

Congress plays a key role in this process of increasing the MGIB usage rate. Legislation enacted by the 107th Congress will dramatically affect VA education benefits in 2003 and beyond. Some provisions of this legislation follow:

- The monthly rate of benefits under MGIB will be increased by more than forty-six percent over the next two years.
- Payments can be accelerated (that is, more funds paid in advance) to satisfy a veteran's immediate need for funds for education leading to employment in high technology.
- As a reenlistment incentive, MGIB benefits can be transferred to a family dependent. DoD has authority to offer this benefit to active duty personnel in hard-to-fill military occupational specialties who agree to reenlist after six years of service.

Improve Education Claims Processing

The development and installation of TEES (The Education Expert System) is a major multi-year initiative started in 2000. When fully operational, it will improve timeliness and enhance customer service by automatically processing more claims (up to 90 percent of those received electronically) without human intervention. A small, proof of concept, application has been developed and deployed. Some enrollment information, received electronically from educational institutions, is now processed by a prototype rules-based expert system without human intervention. VBA contracted for and received an assessment of how to successfully process up to 90 percent of all education claims automatically. A capital investment application was then approved and permission granted to proceed with the initiative. Development efforts began in 2001 and will continue through 2007.

While performance suffered in 2000 and continued into 2001, steps have been taken to reverse that trend. For instance, recently hired employees, representing almost 40 percent of all decision makers in April 2001, will become more proficient and contribute significantly to reducing the number of days it is taking to process a claim. In addition, overtime will be used during heavy enrollment periods to increase the volume of claims completed as soon after receipt as possible.

Payment accuracy can be improved by:

- monitoring claims processing results;
- identifying trends that inhibit accurate processing;
- providing the necessary training for personnel to improve their decision making skills.

The hiring and training of additional new staff has created a setback in progress toward our strategic objective of a 97 percent payment accuracy rate. The electronic training initiative being pursued will facilitate uniform and consistent training. As training interventions continue and new hires gain experience, performance in this measure should improve once again.

Feedback from earlier surveys led VBA to implement nationwide toll-free service for education beneficiaries. They now receive toll-free telephone service by dialing 1-888-GIBILL1 (1-888-442-4551). They are first connected to an automated response system that provides:

- general information;
- answers to frequently asked questions;
- recent payment information;
- limited, beneficiary specific, master record information.

Callers can opt to speak to an Education Case Manager at any time during the call if they want personal attention.

Two issues hampered customer service improvements after implementation of toll-free phone service. First, automated responses have not curtailed the number of callers seeking to speak with an Education Case Manager. Second, call volumes have been larger than originally anticipated. As a result, resource requirements were understated resulting in an inordinate number of callers unable to complete their calls. VA examined resource needs. Seasonal employees will supplement permanent staff during peak periods to improve service. To divert some traffic away from telephones, VA is exploring electronic alternatives that provide services and satisfy education beneficiaries. While there has been an education service web site for several years to provide VA related information, plans have been developed to enhance usage of the site. In addition to resolving

inquiries electronically, the site is being expanded to allow for some veteran self-service. The first application, Web Automated Verification of Enrollment (WAVE), is now accepting monthly self-verifications of enrollment with minimal human intervention. Other self-service actions (such as address changes) will be added.

Crosscutting Activities

Increase the MGIB Usage Rate

Increasing the MGIB usage rate requires coordination between VA and other organizations currently disseminating MGIB information, or planning to do so. State Approving Agencies (SAAs) have expressed interest in conducting outreach to separating service members during transition assistance briefings. A few pilots have been initiated already. For example, the Oklahoma State Accrediting Agency participates in transition briefings at Fort Sill and other military installations within the State by providing information on VA's education programs. Feedback indicates that SAA personnel are better able to disseminate more comprehensive education information. Plans to shift more SAA focus to outreach will be developed during 2002 with the goal of having contract language in place for 2003.

VA initiated a training program with Navy to provide their recruiters accurate MGIB information so they can give prospective sailors correct and consistent messages on future VA benefits. The Army has expressed interest in a similar program. Finally, VA supports military base counseling activities by giving education specialists a guide to use in helping service members who want to pursue educational or vocational objectives and may need financial assistance available through MGIB. These outreach and information dissemination initiatives address recommendations made in the program evaluation. VA will review the initiatives for effectiveness and modify or enhance them, as necessary, to ensure the delivery of correct and consistent messages.

Improve Education Claims Processing

Overall processing timeliness is affected to some extent by the quality of the enrollment information received from school officials. Several years ago, VA tested an initiative with selected school certifying officials in the electronic transmission of that enrollment data, VACert, which proved to be successful and was made available to all education institutions. Many began using the application, but others did not. As a result, VA has developed and tested an Internet application, VANetCert, to encourage more electronic submissions. This application will be deployed in 2002. In addition, we will continue improving relationships with institutions through better liaison and assistance.

Education Case Managers rely on accurate enrollment information from school officials to process claims from veterans and other eligible beneficiaries.

Conflicting or confusing information could lead to errors and hinder payment accuracy. We will continue to work with representatives from education and training institutions to assure reliable, accurate enrollment information. For example, in 2001 VBA developed and piloted an on-line training course for new school certifying officials. It was made available to school officials who were new to the job and in need of “just-in-time” training. If proven effective, VBA will develop and install additional on-line training interventions.

External Factors

Increase the MGIB Usage Rate

Historically, the nation’s economy has had some impact on education benefit usage. When employment opportunities are scarce, veterans return to school for additional education or training. During times of economic prosperity with abundant employment options, the opposite will often be true.

Improve Education Claims Processing

Generally, factors affecting claims processing are internal. However, a slowing economy that sees more veterans returning to the classroom and applying for benefits will impact VA’s ability to improve the claims processing environment.

Major Management Challenges

There are no major management challenges that will affect achievement of the education program performance goals.

Data Source and Validation

MGIB Usage Rate

The MGIB usage rate is calculated by dividing the cumulative number of individuals who began a program of education under the MGIB (taken from VBA’s education master record file) by the overall number of potentially eligible veteran beneficiaries (taken from DoD’s Defense Manpower Data Center separation records). VA doesn’t independently validate the DoD information.

Average Days to Complete Education Claims

Education claims processing timeliness is measured using data captured automatically by the Benefits Delivery Network as a part of claims processing. The Education Service Staff confirms reported data through ongoing quality assurance reviews conducted on a statistically valid sample of cases. Specifically, dates of claim are examined to insure they are reported accurately.

(For additional information about the education program, refer to Benefits Programs, Volume 1, Chapter 1B; and General Operating Expenses, Volume 4, Chapter 2C.)

Meet Community Standards for Home Loan Guaranty Benefits

Strategic Goal: Ensure a smooth transition for veterans from active military service to civilian life.

Secretary Priority: Meet community standards for origination and servicing of home loan guaranty benefits, and minimizes financial losses incurred on foreclosures.

Performance Goal

Improve the Foreclosure Avoidance Through Servicing (FATS) ratio to 40 percent.

Current Situation Discussion

One of VA's critical functions is to assist veterans after they receive their housing benefit. Lenders report to VA when veterans are seriously delinquent (a payment is 90 days in default) on their mortgages. VA's responsibility is to contact the veteran and offer assistance to help the veteran retain his or her home, or resolve the issue at the lowest possible cost to the veteran and VA.

VA measures its success in assisting veterans who are facing foreclosure with the FATS ratio, which measures the extent to which foreclosures would have been greater had VA not pursued alternatives to foreclosure. When VA is able to

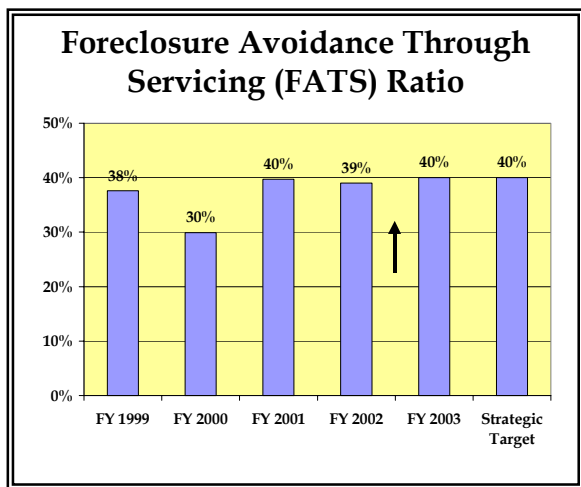
pursue an alternative to foreclosure, the costs to the government are reduced. Veterans are able either to save their home or avoid damage to their credit rating. There are four alternatives to foreclosure:

Successful intervention - VA may intervene with the holder of the loan on behalf of the borrower to set up a repayment plan or take other action that results in the loan being reinstated.

Refunding - VA may purchase the loan when the holder is no longer

willing or able to extend forbearance, but VA believes the borrower has the ability to make mortgage payments, or will have the ability in the near future.

Voluntary conveyance - VA may accept the deed in lieu of foreclosure from the borrower if it is in the best interest of the government.



Compromise claim – If a borrower in default is trying to sell the home, but it cannot be sold for an amount greater than, or equal to, what is owed on the loan, VA may pay a compromise claim for the difference in order to complete the sale.

Through 1999, the components of the FATS ratio carried differing weights. Beginning in 2000, each of the four components is weighted equally. We did not recalculate the 1998 and 1999 ratios. Targets and the strategic goal have been revised accordingly.

Means and Strategies

Some veterans, like other homeowners, experience financial difficulties that may cause them to default on their home loan. When this occurs, VA strives to help veterans retain their homes through loan servicing efforts. Besides counseling, VA may intervene directly on behalf of the veteran to work out a repayment plan. In limited circumstances, VA may buy the loan from the holder and the veteran will make future payments directly to VA.

The program emphasis is on developing and implementing information technology solutions to provide more timely service to our customers at a reduced cost. Important benchmarks are the quality and efficiency of service provided by private entities, because they set the level of expectations for all real estate transactions.

VA relies heavily on the lending industry to deliver the home loan benefit. Ultimately, the level of veteran satisfaction is directly dependent on how well VA can meet the expectations of lenders, builders, real estate brokers, and appraisers. This means adapting the delivery of our services to industry practices and making timely changes as technology generates involvements in the loan origination process. Current plans call for major enhancements in the following areas: loan funding fee replacement, automated determination of eligibility, electronic data interchange (EDI) of appraisal data, loan applications, default reporting, and foreclosure processing.

Crosscutting Activities

Achievement of this performance goal is not directly dependent on other agencies.

Major Management Challenges

Restructuring, Service Loss Mitigation, and training have improved delinquent Loan Servicing. However, there is a recognized need to fully review VA's supplemental servicing process. In FY 2002 the Loan Guaranty Program plans a thorough redesign effort to reengineer, standardize and document work process and procedures involved in supplemental servicing and activities related to the lender's primary servicing efforts. This will include the specific information technology requirements needed to support redesigned process.

Data Source and Validation

Data to calculate the FATS Ratio is extracted from the Loan Service and Claims (LS&C) System, which is the system used to manage defaults and foreclosures of VA guaranteed loans.

(For additional information on these performance goals, refer to General Operating Expenses, Volume 4, Chapter 2D)